

## **BILL ANALYSIS**

S.B. 2  
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Ways & Means  
Committee Report (Unamended)

### **BACKGROUND AND PURPOSE**

Interested parties suggest that taxpayers remain in need of property tax relief and that the system by which property values are appraised is in need of reform. S.B. 2 seeks to address these issues by enacting the Texas Property Tax Reform and Relief Act of 2017.

### **CRIMINAL JUSTICE IMPACT**

It is the committee's opinion that this bill does not expressly create a criminal offense, increase the punishment for an existing criminal offense or category of offenses, or change the eligibility of a person for community supervision, parole, or mandatory supervision.

### **RULEMAKING AUTHORITY**

It is the committee's opinion that rulemaking authority is expressly granted to the comptroller of public accounts in SECTIONS 21 and 28 of this bill.

### **ANALYSIS**

S.B. 2 amends the Tax Code to require the comptroller of public accounts to appoint the property tax administration advisory board to advise the comptroller with respect to the division or divisions within the office of the comptroller with primary responsibility for state administration of property taxation and state oversight of appraisal districts and local tax offices. The bill provides for the composition of the board and authorizes the board to make recommendations to the comptroller regarding improvements to the property tax system, best practices, and complaint resolution procedures. The bill requires any advice to the comptroller relating to an applicable matter that is provided by a board member to be provided at a meeting called by the comptroller and exempts the board from Government Code provisions relating to state agency advisory committees.

S.B. 2 requires an appraisal district to appraise property in accordance with any appraisal manuals prepared and issued by the comptroller under applicable law. The bill repeals Government Code provisions relating to the Comptroller's Property Value Study Advisory Committee, replaces that committee with the property tax administration advisory board as the entity with which the comptroller must consult before establishing procedures and standards for conducting and scoring the required review of each appraisal district, and includes compliance with standards, procedures, and methodology prescribed by appraisal manuals prepared and issued by the comptroller among the subjects of that review. The bill also includes compliance with appraisal standards and practices prescribed by the same such appraisal manuals among the subjects of the comptroller's performance audit of an appraisal district.

S.B. 2 decreases from five years to three years the number of preceding years during which an individual's engagement in the business of appraising property for compensation for use in property tax code proceedings or in representing property owners for compensation in such proceedings in an appraisal district at any time makes the individual ineligible to serve on the

appraisal district board of directors. The bill establishes that provisions establishing the offense of ex parte communications between a member of an appraisal district board of directors and the chief appraiser do not prohibit a board member from transmitting to the chief appraiser without comment a complaint by a property owner or taxing unit about the appraisal of a specific property, provided that the transmission is in writing.

S.B. 2, effective September 1, 2018, requires an appraisal district board of directors for a district established in a county with a population of 120,000 or more by resolution of a majority of the board's members to increase the size of the district's appraisal review board to the number of members the board of directors considers appropriate to manage the duties of the appraisal review board, including the duties of each special panel established by the bill. The bill, effective September 1, 2018, and applicable only to the appointment of appraisal review board members to terms beginning on or after January 1, 2019, requires the local administrative district judge, in selecting individuals who are to serve as members of the appraisal review board, to elect an adequate number of qualified individuals to permit the chairman of the appraisal review board to fill the positions on each such special panel.

S.B. 2, effective September 1, 2018, prohibits an auxiliary appraisal review board member from hearing taxpayer protests before a special panel established by the bill unless the member is eligible to be appointed to the special panel and includes one or more auxiliary board members sitting on such a panel to conduct a protest hearing as a condition triggering a reduction in the number of regular board members required to constitute the panel by the number of auxiliary board members sitting.

S.B. 2 establishes that the concurrence of a majority of the members of the appraisal review board or a panel of the board present at a meeting of the board or panel is sufficient for a recommendation, determination, decision, or other action by the board or panel and prohibits the requirement of the concurrence of more than a majority of the members of the board or panel.

S.B. 2, effective September 1, 2018, requires the appraisal review board for an appraisal district established in a county with a population of 120,000 or more to establish a separate special panel, with each panel consisting of three members of the appraisal review board appointed by the chairman of the appraisal review board, for each of the following classifications of property to conduct protest hearings relating to property included in that classification: commercial real and personal property; real and personal property of utilities; industrial and manufacturing real and personal property; and multifamily residential real property. The bill authorizes the chairman of the appraisal review board to establish additional special panels to conduct protest hearings relating to applicable property if the chairman determines that additional panels are necessary. The bill provides for the conditions of eligibility for a member of the appraisal review board to be appointed to a panel and sets out conditions under which the chairman may appoint to the panel a member who does not meet such conditions of eligibility.

S.B. 2 changes the deadline for a late application for an exemption for freeport goods, changes certain deadlines relating to authorized interstate allocations, and changes deadlines relating to the filing of rendition statements and property reports with the chief appraiser. The bill sets a filing deadline for rendition statements and property reports for property regulated by the Public Utility Commission of Texas, the Railroad Commission of Texas, the federal Surface Transportation Board, or the Federal Energy Regulatory Commission and provides for the extension of the filing deadline for good cause.

S.B. 2 specifies that the generally accepted appraisal methods and techniques used to determine the market value of property includes appraisal methods and techniques prescribed by appraisal manuals prepared and issued by the comptroller.

S.B. 2 removes the separate deadline by which the chief appraiser is required to deliver certain notice of appraised value to property owners in connection with property other than a single

family residence that qualifies for a residence homestead exemption and subjects all applicable property to the same deadline, which the bill extends from April 1 to April 15. The bill, effective September 1, 2018, and applicable to a notice of appraised value for a tax year beginning on or after January 1, 2019, requires the chief appraiser for an appraisal district in a county with a population of 120,000 or more to state in a notice of appraised value included in an applicable classification of property, as described by the bill, that the property owner has the right to have a protest relating to the property heard by a special panel of the appraisal review board.

S.B. 2 changes the deadlines by which the chief appraiser is required to submit the completed appraisal records to the appraisal review board for review and determination of protests, to prepare and certify to the assessor for each taxing unit participating in the district that part of the appraisal roll for the district that lists the property taxable by the unit, and to prepare and certify to the assessor for each county, municipality, and public school district participating in the appraisal district an estimate of the taxable value of property in that taxing unit.

S.B. 2 renames the effective tax rate with regard to property taxation as the no-new-taxes tax rate and renames the effective maintenance and operations rate as the no-new-taxes maintenance and operations rate. The bill reduces the multiplier used to calculate the rollback tax rate from 1.08 to 1.05 but authorizes the governing body of a taxing unit to direct the officer or employee designated to calculate the rollback tax rate for the unit to substitute "1.08" for "1.05" if any part of the taxing unit is located in an area declared a disaster area during the current tax year by the governor or by the president of the United States. The bill provides for the submission of the worksheets used in calculating the no-new-taxes and rollback tax rates to the county assessor-collector for each county in which the unit is located and the certification of the values used in those calculations against those in the unit's appraisal roll. The bill exempts a school district from those certification requirements. The bill requires the comptroller to adopt rules governing the form of the certification and the manner in which the worksheets with the attached certifications are required to be submitted to the governing body of the taxing unit. The bill revises deadlines applicable to the submission of the appraisal roll and the tax rates to the governing body of the unit and sets a deadline for the delivery of information regarding the tax rates and the taxing unit to each property owner in the unit or the publication of that information. The bill changes the nature of the collection rate for the current year a taxing unit's collector is required to certify to the unit's governing body from an estimate of that collection rate to the anticipated collection rate and prohibits the assessor from certifying an anticipated collection rate that is lower than the lowest actual collection rate in the preceding three years.

S.B. 2 requires the designated officer or employee of each taxing unit to submit to the county assessor-collector for each county in which all or part of the territory of the taxing unit is located the worksheets used by the designated officer or employee to calculate the effective and rollback tax rates of the unit for the 2013-2017 tax years not later than October 1, 2017, and requires the county assessor-collector for each county to post the worksheets submitted to the county assessor-collector on the county's website not later than that same date. These requirements take effect September 1, 2017.

S.B. 2 requires the governing body of each taxing unit to adopt a tax rate that exceeds the rollback tax rate before August 15. The bill prohibits the governing body of a taxing unit that imposes an additional sales and use tax from adopting a certain specified component of the unit's property tax rate until the chief financial officer or the auditor for the unit submits to the unit's governing body a written certification that the amount of additional sales and use tax revenue that will be used to pay debt service has been deducted from the total amount published as required and requires the comptroller to adopt rules governing the form of the required certification and the manner in which it is required to be submitted.

S.B. 2 revises the required components of the simplified tax rate notice for taxing units with low tax levies and replaces the general notice of a public hearing on a tax increase with separate

notices specific to a proposed tax rate that exceeds the no-new-taxes tax rate and the rollback tax rate of the taxing unit, a proposed tax rate that exceeds the no-new-taxes tax rate but does not exceed the rollback tax rate of the taxing unit, and a proposed tax rate that does not exceed the no-new-taxes tax rate but exceeds the rollback tax rate of the taxing unit. The bill changes the latest day of the meeting to vote on the tax increase from the 14th day after the date of the second public hearing to the seventh such day. The bill sets out notice requirements applicable to the governing body of a taxing unit other than a school district that proposes to adopt a tax rate that does not exceed the lower of the no-new-taxes tax rate or the rollback tax rate and sets out additional information to be included in certain tax rate notices. The bill repeals Local Government Code provisions relating to a proposed tax rate notice for counties and municipalities.

S.B. 2 repeals Tax Code provisions authorizing the qualified voters of a taxing unit other than a school district to petition for an election to reduce an adopted tax rate that exceeds the rollback tax rate and establishing procedures regarding such an election. The bill makes statutory provisions relating to the requirement that a tax rate adopted by a school district in excess of the district's rollback tax rate be approved by voters at an election generally applicable to tax rates adopted by any taxing unit. The bill changes the date of that election from a date not less than 30 or more than 90 days after the day on which the tax rate is adopted to the uniform election date that occurs in November of the applicable tax year, with the order calling the election prohibited from being issued later than August 15.

S.B. 2 requires each county to maintain a website and adds a temporary provision set to expire January 1, 2024, establishing that a reference to the no-new-taxes tax rate or the no-new-taxes maintenance and operations rate includes the equivalent effective tax rate or effective maintenance and operations rate for a preceding year. The bill requires the county-assessor to post on the website of the county for each taxing unit all or part of the territory of which is located in the county the certified worksheets used to calculate the no-new-taxes and rollback tax rates of the unit for the most recent five tax years beginning with the 2018 tax year, the worksheet for the current tax year not later than August 1, and the name and official contact information for each member of the unit's governing body.

S.B. 2 removes a taxing unit's entitlement to challenge before the appraisal review board the level of appraisals of any category of property in the district or in any territory in the district exclusive of the appraised value of a single taxpayer's property. The bill changes from July 20 to July 5 the deadline by which the appraisal review board is required to hear and determine all or substantially all timely filed protests, determine all timely filed challenges, submit a list of its approved changes in the records to the chief appraiser, and approve the records.

S.B. 2 removes the separate deadline by which a property owner initiating a protest must file certain notice of the protest if the property is a single-family residence that qualifies for a residence homestead exemption, leaving the same deadline, which the bill also revises, for such property as that for notice filed in connection with any other property. The bill repeals the provision entitling a property owner who files a notice of protest after the applicable deadline to a hearing and determination of the protest for good cause shown. The bill, effective September 1, 2018, requires the notice of protest form prescribed by the comptroller to permit a property owner to request that the protest be heard by a special panel established by the bill if the protest will be determined by an appraisal review board to which provisions relating to such special panels apply and the property is included in a classification described by those provisions.

S.B. 2 exempts a special panel established by the bill from the applicability of statutory provisions relating to an appraisal review board sitting in panels of not fewer than three members to conduct protest hearings. The bill sets out provisions governing a special panel's authority to conduct protest hearings and the procedures for those hearings. These provisions take effect September 1, 2018, and apply to a protest filed on or after January 1, 2019.

S.B. 2 replaces the requirement that an appraisal review board provide for hearings on protests in the evening with a requirement that such hearing be after 5 p.m. on a weekday and prohibits an appraisal review board from scheduling the first hearing on a protest held on a weekday evening to begin after 7 p.m. and from scheduling a hearing on a protest on a Sunday. The bill increases from \$3 million or less to \$5 million or less the maximum appraised or market value of property as determined by an appraisal review board order determining a protest concerning the value of the property that triggers a property owner's entitlement to appeal such an order through binding arbitration.

S.B. 2 sets the amount of the arbitration deposit to appeal an appraisal review board order through binding arbitration at \$1,250 if the property does not qualify as the owner's residence homestead under statutory provisions concerning residence homestead exemptions and the appraised or market value, as applicable, of the property is more than \$3 million but not more than \$5 million, as determined by the order, and, with regard to the same property, sets the maximum fee for which an eligible person must agree to conduct an arbitration to qualify to serve as an arbitrator at \$1,200.

S.B. 2 amends the Government Code to replace the Comptroller's Property Value Study Advisory Committee with the comptroller's property tax administration advisory board as the entity with which the comptroller must consult before adopting rules governing the conduct of the study of school district property values.

S.B. 2 amends the Special District Local Laws Code to make the bill's provisions relating to notice of a meeting to vote on a proposed tax rate that does not exceed the lower of the no-new-taxes tax rate or the rollback tax rate inapplicable to a tax imposed by the Reeves County Groundwater Conservation District.

S.B. 2 amends the Water Code to make the bill's provisions relating to notice of a meeting to vote on a proposed tax rate that does not exceed the lower of the no-new-taxes tax rate or the rollback tax rate inapplicable to the following: an operation and maintenance tax levied or collected by a water district; a property tax levied and collected for the payment of the interest on and principal of bonds issued by a water district; and a tax levied and collected for payments made under a contract approved in accordance with a contract election.

S.B. 2 removes the authorization for the qualified voters of a water district by petition, if the district's governing body adopts a combined debt service, operation and maintenance, and contract tax rate that would impose more than 1.08 times the amount of tax imposed by the district in the preceding year on a residence homestead appraised at the average appraised value of a residence homestead in the district in that year, to require that an election be held to determine whether to reduce the current year's tax rate to the rollback tax rate. The bill instead requires an election to be held to determine whether to ratify the tax rate adopted for the current year if a district board adopts a combined debt service, operation and maintenance, and contract tax rate that would impose more than 1.05 times the amount of tax imposed by the district in the preceding year on a residence homestead appraised at the average appraised value of a residence homestead in the district in that year, provided there are not any new improvements in the district in the current tax year. If there are new improvements, the qualified voters of the district by petition under the same circumstance may still require that an election be held to determine whether to ratify the tax rate adopted for the current year in accordance with the applicable procedures, as revised by the bill. The bill authorizes a district's governing board to substitute "eight percent" for "five percent" and "1.08" for "1.05" in the applicable provisions if any part of the district is located in an area declared a disaster area during the current tax year by the governor or the president of the United States.

S.B. 2 includes in the required notice of a public hearing on a water district's tax rate, if the proposed combined debt service, operation and maintenance, and contract tax rate requires or

authorizes an election in the district to ratify the tax rate, a description of the purpose of the proposed tax increase and provides for separate statements in the required notice to be used if there are not any new improvements in the district in the current year and if there are such improvements.

S.B. 2 makes its provisions relating to the property tax rate of a taxing unit applicable beginning with the 2018 tax year.

S.B. 2 amends the Education Code, Health and Safety Code, and Local Government Code to make conforming and nonsubstantive changes.

S.B. 2 repeals the following provisions:

- Sections 403.302(m-1) and (n), Government Code
- Section 140.010, Local Government Code
- Section 1063.255, Special District Local Laws Code
- Section 26.07, Tax Code
- Section 41.44(b-1), Tax Code
- Section 49.236, Water Code, as added by Chapter 248 (H.B. 1541), Acts of the 78th Legislature, Regular Session, 2003
- Section 49.2361, Water Code

#### **EFFECTIVE DATE**

Except as otherwise provided, January 1, 2018.